

NEVADA SECRETARY OF STATE Quarterly Economic & Business Activity Report



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Q2 • 2011

Employment



vs. prior
quarter



vs. prior
year

New Entity Filings



vs. prior
quarter



vs. prior
year

Total List Filings



vs. prior
quarter



vs. prior
year

Unemployment



vs. prior
quarter



vs. prior
year



The Quarterly Economic & Business Activity Report provides a quarterly review and analysis of trends in economic and business activities. It is intended to provide a unique perspective on business investments and market conditions within the State of Nevada. Data contained herein is sourced to the Nevada Secretary of State and other reporting agencies, including the Nevada Department of Employment, Training and Rehabilitation.

Nevada New Business Entity Filings Continue to Rise Second Quarter 2011 Marks Third Consecutive Increase

New Entity Filings *[Leading Indicator]*

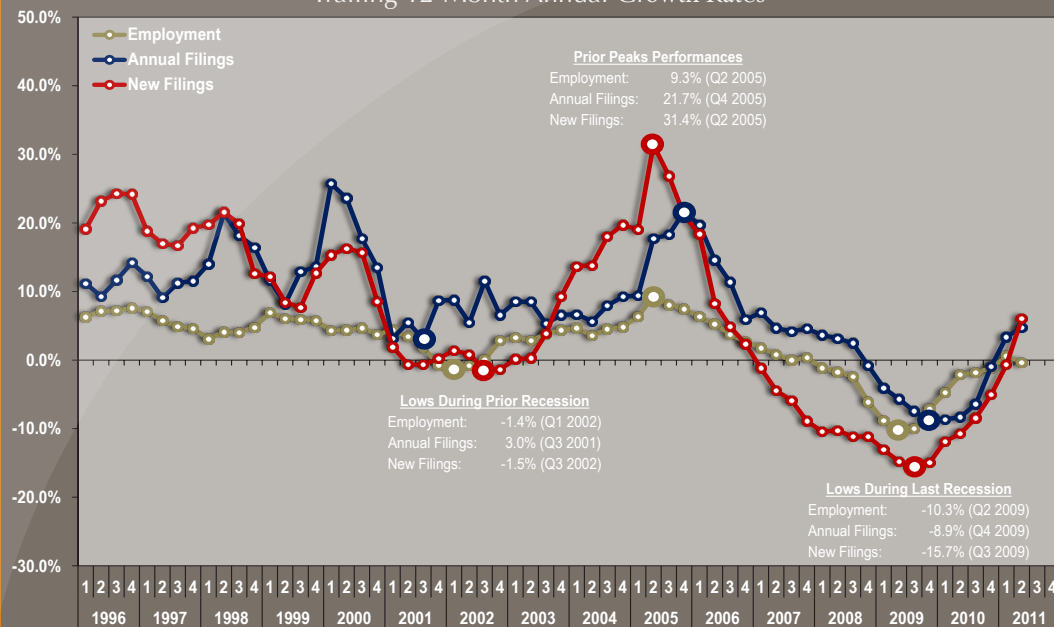
- New entity filings increased by 14.8 percent during the second quarter when compared to the same quarter of the prior year, marking the third consecutive increase in new entity filings due to a double-digit increase in new domestic (Nevada) entity filings. In particular, new Limited Liability Company ("LLC") filings were up 25.8 percent, or 2,022 filings, when compared to second quarter 2010 results. The same was true for new foreign entity (non- Nevada) LLC filings, which reported increased activity of 20.7 percent (or 88 filings); however, aggregate new foreign entities were down 2.5 percent year-over-year.
- Both domestic and foreign Limited Liability Partnership ("LLP") new filings posted declines of 28.1 percent and 22.7 percent, respectively, when compared the same quarter of the prior year. For the trailing 12-months ending June 2011, new LLP filings were also down in the aggregate, declining by 531 filings (or 34.2 percent). During the same timeframe, new entity filings across all categories were up by 3,335, or 6.0 percent.

Total List Filings *[Lagging Indicator]*

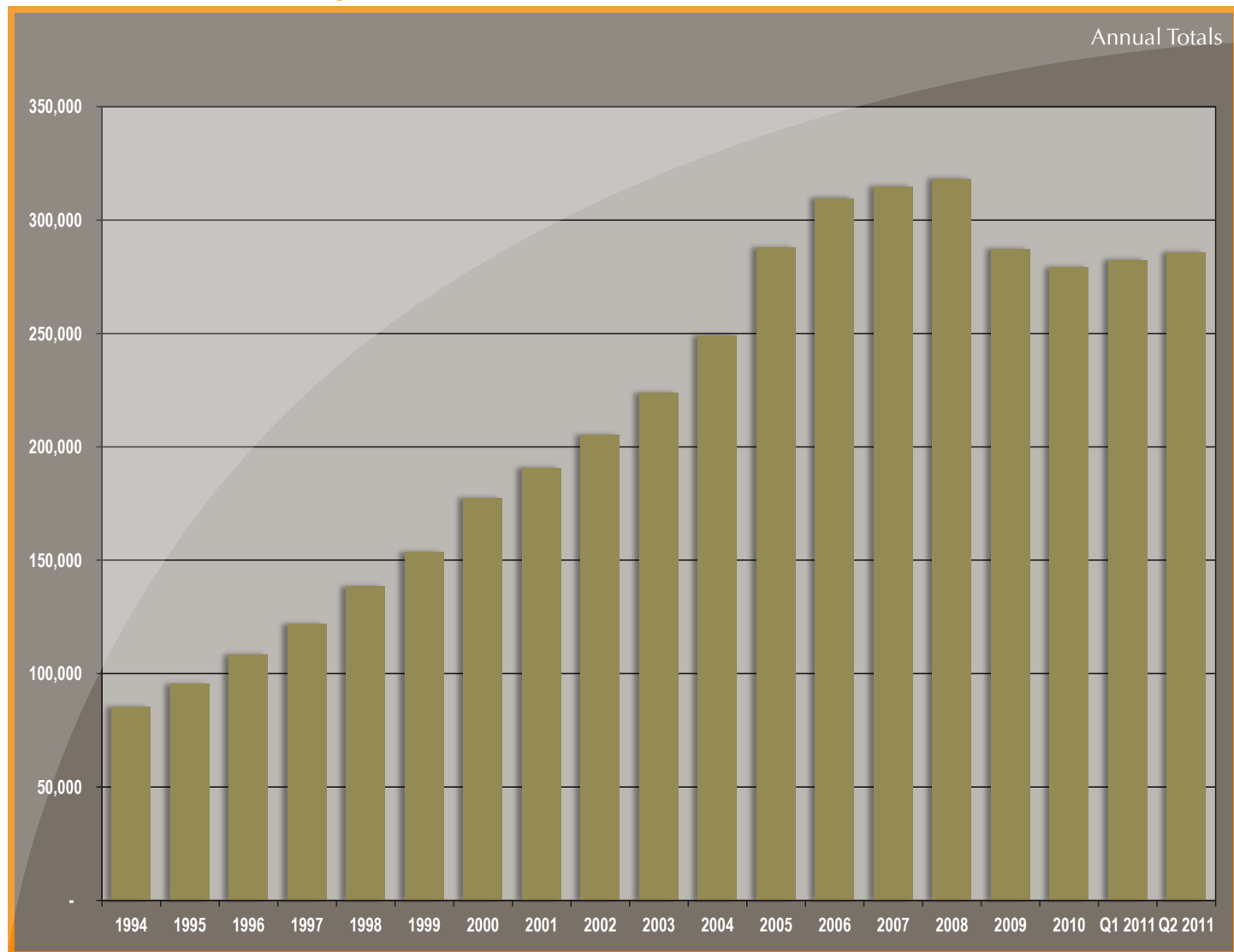
- During the second quarter of 2011, the total number of initial, annual and amended lists filed increased by 1.2 percent over the same three-month period in 2010. Worth noticing were LLCs producing 6.4 percent more list filings than one year ago. On the contrary, corporations filed 1,139 fewer lists than one year ago, translating into a 3.1-percent decline.
- For the 12 months ending June 2011, nearly 284,600 entities filed lists with the Secretary of State's Office, representing a 4.7-percent improvement over the trailing 12 months ending June 2010. Corporations, LLCs and LLPs/Business Trusts continued to report positive growth rates year-over-year while Limited Partnerships list filings declined by 4.2 percent during the past 12 months. Nevada corporations and LLCs represented the largest share in combined initial, annual and amended lists filed at 94.0 percent.

NEVADA EMPLOYMENT AND FILING COMPARATIVE ANALYSIS

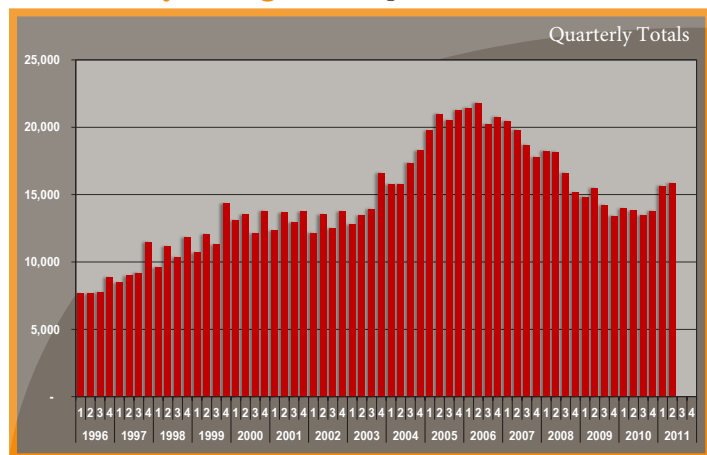
Trailing 12-Month Annual Growth Rates



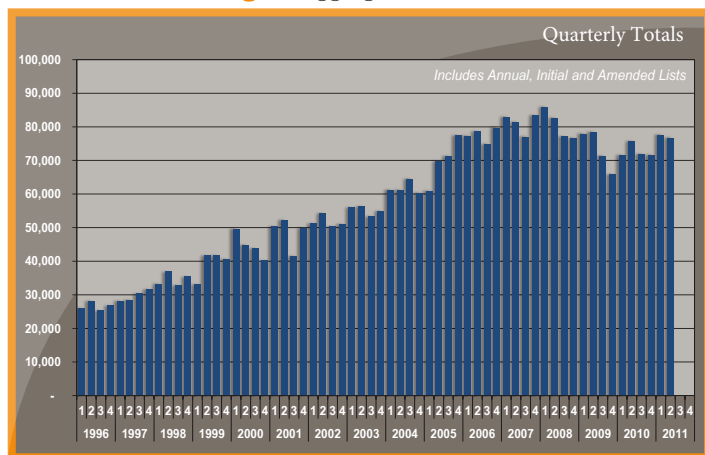
Entities in Good Standing



New Entity Filings [Leading Indicator]



Total List Filings [Lagging Indicator]



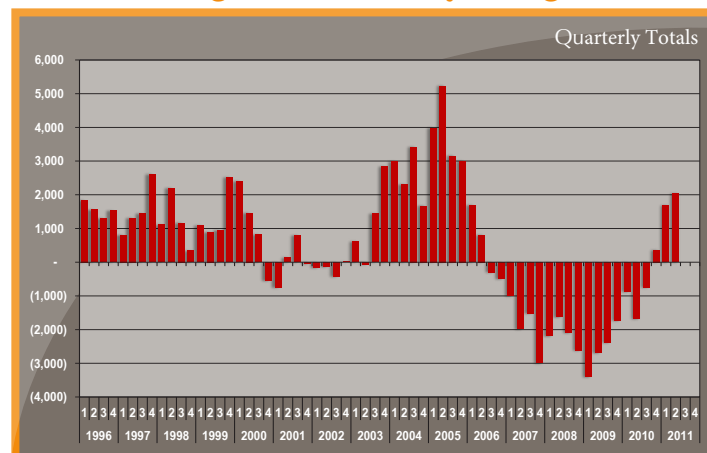
Quarterly Indicators ^[1]

Three Months Ended June 2011

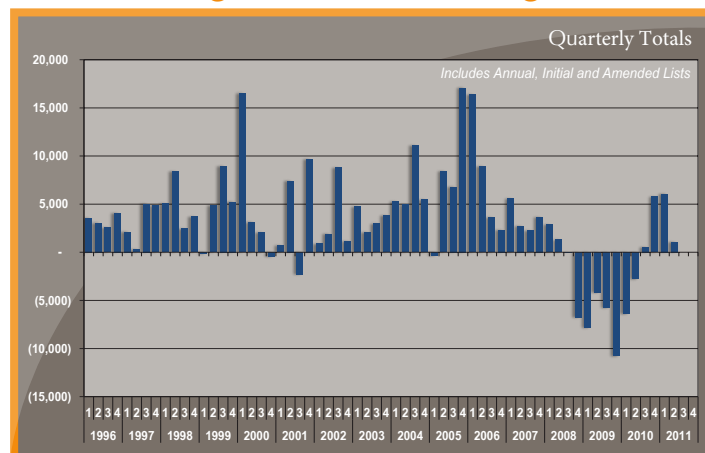
	Current Value	Prior Period			Prior Year		
		Value	Change	% Change	Value	Change	% Change
TOTAL LIST FILINGS [2]							
Corporations	35,252	36,348	(1,096)	-3.0% ▼	36,391	(1,139)	-3.1% ▼
Limited Partnerships	3,812	3,740	72	1.9% ▲	4,054	(242)	-6.0% ▼
Limited Liability Companies	37,413	37,260	153	0.4% ▲	35,156	2,257	6.4% ▲
Limited Liability Partnerships and Business Trusts	250	268	(18)	-6.7% ▼	196	54	27.6% ▲
TOTAL	76,727	77,616	(889)	-1.1% ▼	75,797	930	1.2% ▲
NEW FILINGS - DOMESTIC (NEVADA) ENTITIES [3]							
Corporations	4,622	4,671	(49)	-1.0% ▼	4,498	124	2.8% ▲
Limited Partnerships	212	236	(24)	-10.2% ▼	295	(83)	-28.1% ▼
Limited Liability Companies	9,858	9,625	233	2.4% ▲	7,836	2,022	25.8% ▲
Limited Liability Partnerships and Business Trusts	65	61	4	6.6% ▲	58	7	12.1% ▲
TOTAL	14,757	14,593	164	1.1% ▲	12,687	2,070	16.3% ▲
NEW FILINGS - FOREIGN (NON-NEVADA) ENTITIES [3]							
Corporations	556	561	(5)	-0.9% ▼	663	(107)	-16.1% ▼
Limited Partnerships	17	20	(3)	-15.0% ▼	22	(5)	-22.7% ▼
Limited Liability Companies	514	470	44	9.4% ▲	426	88	20.7% ▲
Limited Liability Partnerships and Business Trusts	4	10	(6)	-60.0% ▼	8	(4)	-50.0% ▼
TOTAL	1,091	1,061	30	2.8% ▲	1,119	(28)	-2.5% ▼
NEW FILINGS - TOTAL (DOMESTIC & FOREIGN) [3]							
Corporations	5,178	5,232	(54)	-1.0% ▼	5,161	17	0.3% ▲
Limited Partnerships	229	256	(27)	-10.5% ▼	317	(88)	-27.8% ▼
Limited Liability Companies	10,372	10,095	277	2.7% ▲	8,262	2,110	25.5% ▲
Limited Liability Partnerships and Business Trusts	69	71	(2)	-2.8% ▼	66	3	4.5% ▲
TOTAL	15,848	15,654	194	1.2% ▲	13,806	2,042	14.8% ▲
KEY ECONOMIC INDICATORS							
Employment [4]	1,119,500	1,114,900	4,600	0.4% ▲	1,123,300	(3,800)	-0.3% ▼
Unemployment [4]	13.5%	13.2%	0.3%	2.3% ▲	14.9%	-1.4%	-9.4% ▼
Initial Jobless Claims	56,958	61,424	(4,466)	-7.3% ▼	65,186	(8,228)	-12.6% ▼
Bankruptcies - Chapter 7 [5]	4,437	3,567	870	24.4% ▲	4,996	(559)	-11.2% ▼
Bankruptcies - Chapter 11 [5]	107	88	19	21.6% ▲	108	(1)	-0.9% ▼
Bankruptcies - Chapter 13 [5]	1,255	1,204	51	4.2% ▲	1,579	(324)	-20.5% ▼

[1] Indicator values reflect three month quarterly totals, unless otherwise noted. [2] Includes annual, initial and amended lists. [3] New entity registration/qualification filings. [4] As of the end of the reporting period. [5] Current value is based on the trailing 3-months ending May 2011 (latest data available).

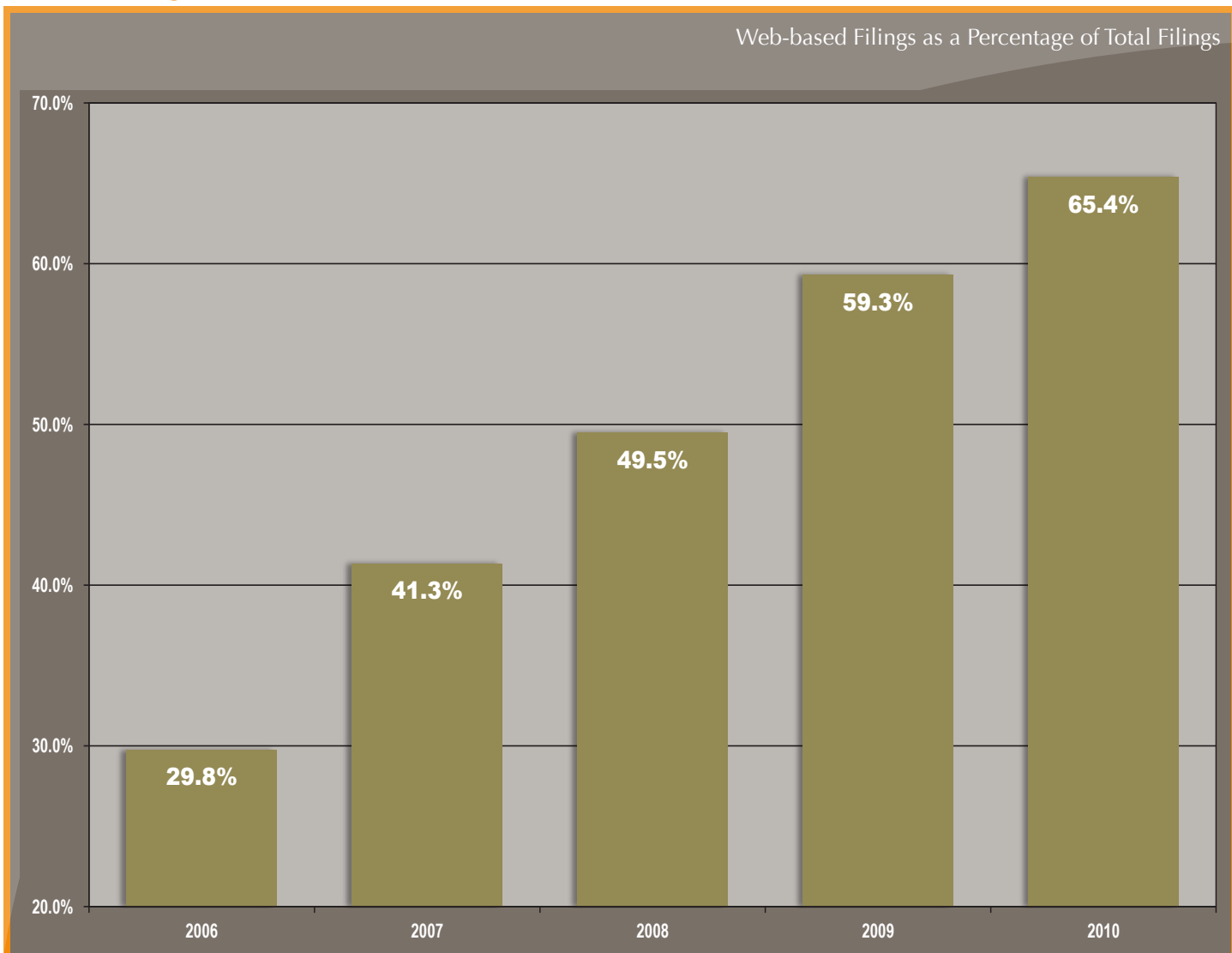
Annual Change in New Entity Filings



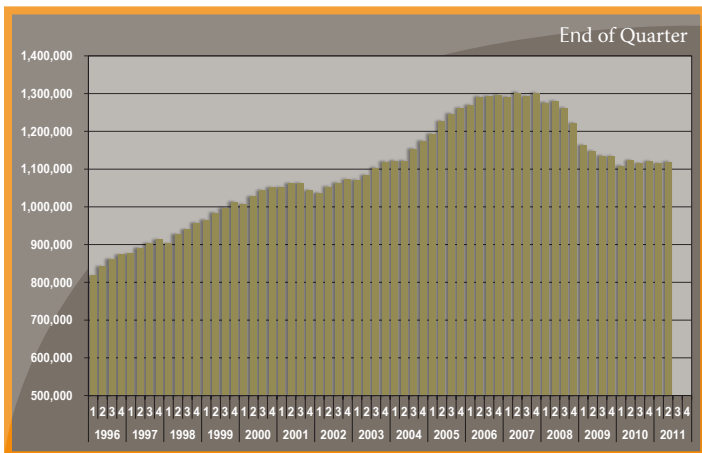
Annual Change in Total List Filings



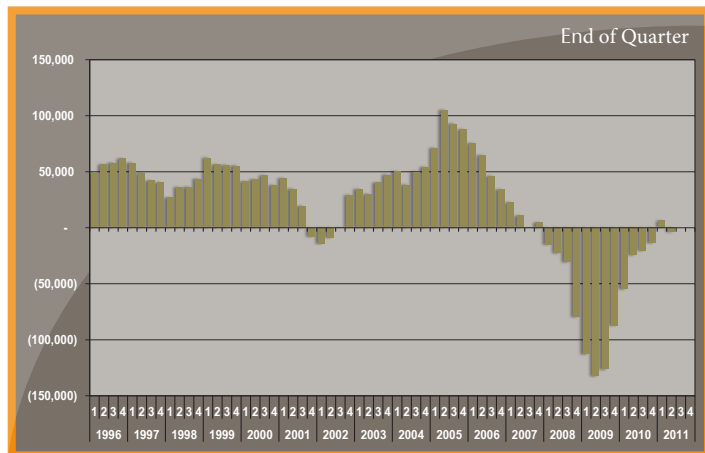
On-line Filing Utilization



Employment



Annual Change in Employment



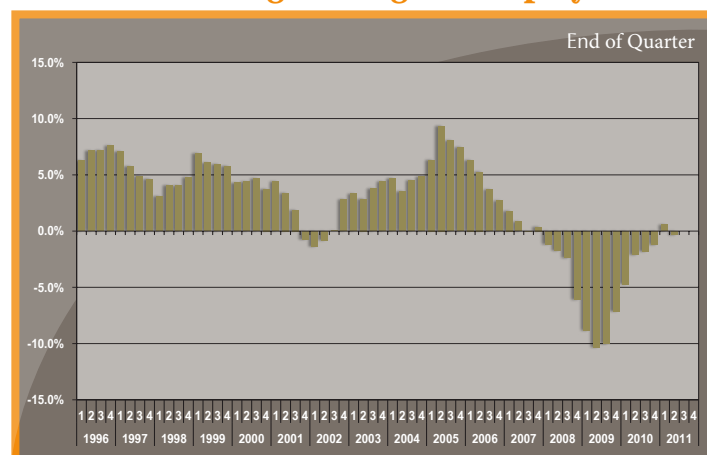
Annual Indicators ^[1]

Twelve Months Ended June 2011

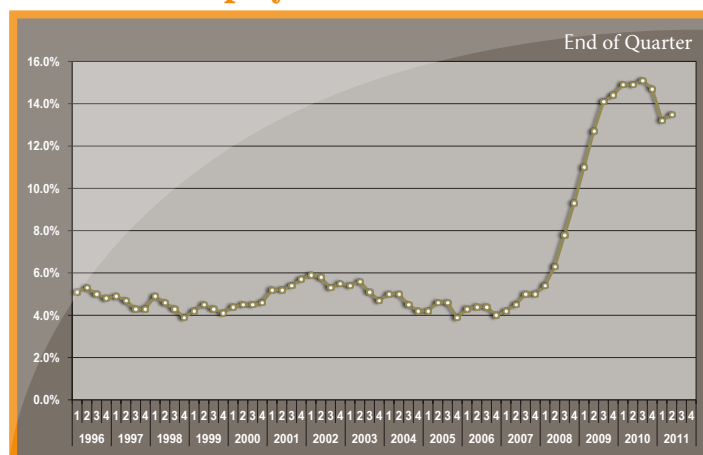
Current Quarter	Current Value	Prior Period			Prior Year		
		Value	Change	% Change	Value	Change	% Change
TOTAL LIST FILINGS [2]							
Corporations	140,480	141,638	(1,158)	-0.8%	137,819	2,661	1.9%
Limited Partnerships	15,595	15,824	(229)	-1.4%	16,286	(691)	-4.2%
Limited Liability Companies	141,106	138,645	2,461	1.8%	129,718	11,388	8.8%
Limited Liability Partnerships and Business Trusts	917	940	(23)	-2.4%	773	144	18.6%
TOTAL	298,098	297,047	1,051	0.4%	284,596	13,502	4.7%
NEW FILINGS - DOMESTIC (NEVADA) ENTITIES [3]							
Corporations	17,953	17,829	124	0.7%	17,714	239	1.3%
Limited Partnerships	937	1,020	(83)	-8.1%	1,493	(556)	-37.2%
Limited Liability Companies	35,488	33,466	2,022	6.0%	32,487	3,001	9.2%
Limited Liability Partnerships and Business Trusts	207	200	7	3.5%	171	36	21.1%
TOTAL	54,585	52,515	2,070	3.9%	51,865	2,720	5.2%
NEW FILINGS - FOREIGN (NON-NEVADA) ENTITIES [3]							
Corporations	2,275	2,382	(107)	-4.5%	2,066	209	10.1%
Limited Partnerships	83	88	(5)	-5.7%	58	25	43.1%
Limited Liability Companies	1,796	1,708	88	5.2%	1,424	372	26.1%
Limited Liability Partnerships and Business Trusts	28	32	(4)	-12.5%	19	9	47.4%
TOTAL	4,182	4,210	(28)	-0.7%	3,567	615	17.2%
NEW FILINGS - TOTAL (DOMESTIC & FOREIGN) [3]							
Corporations	20,228	20,211	17	0.1%	19,780	448	2.3%
Limited Partnerships	1,020	1,108	(88)	-7.9%	1,551	(531)	-34.2%
Limited Liability Companies	37,284	35,174	2,110	6.0%	33,911	3,373	9.9%
Limited Liability Partnerships and Business Trusts	235	232	3	1.3%	190	45	23.7%
TOTAL	58,767	56,725	2,042	3.6%	55,432	3,335	6.0%
KEY ECONOMIC INDICATORS							
Employment [4]	1,119,500	1,114,900	4,600	0.4%	1,123,300	(3,800)	-0.3%
Unemployment [4]	13.5%	13.2%	0.3%	2.3%	14.9%	-1.4%	-9.4%
Initial Jobless Claims	251,779	260,007	(8,228)	-3.2%	304,897	(53,118)	-17.4%
Bankruptcies - Chapter 7 [5]	16,822	17,279	(457)	-2.6%	18,314	(1,492)	-8.1%
Bankruptcies - Chapter 11 [5]	371	369	2	0.5%	363	8	2.2%
Bankruptcies - Chapter 13 [5]	5,545	5,806	(261)	-4.5%	6,540	(995)	-15.2%

[1] Indicator values reflect twelve month quarterly totals, unless otherwise noted. [2] Includes annual, initial and amended lists. [3] New entity registration/qualification filings. [4] As of the end of the reporting period. [5] Current value is based on the trailing 12-months ending May 2011 (latest data available).

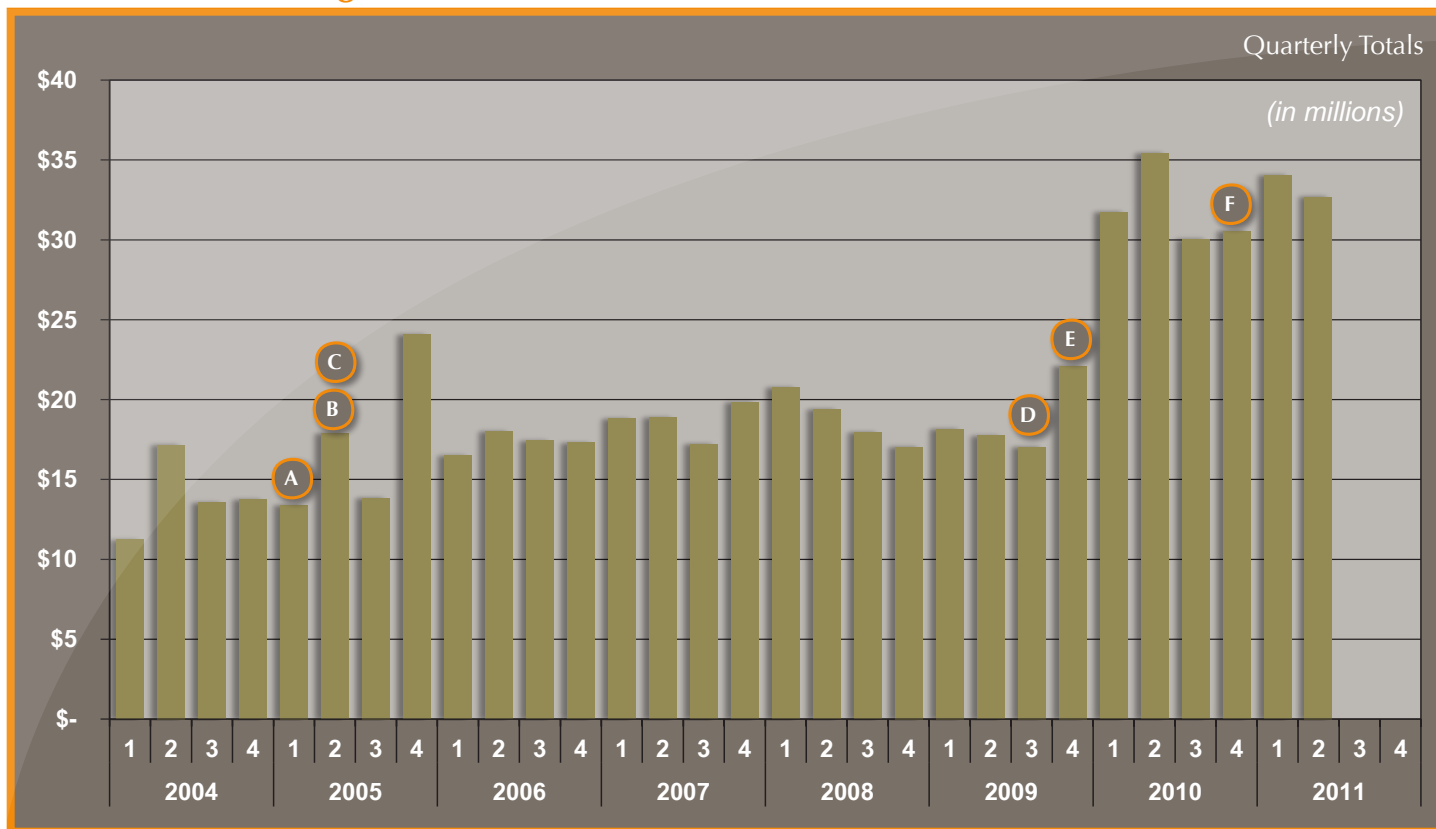
Annual Percentage Change in Employment



Nevada Unemployment Rate



Commercial Recordings Revenue



1991 – Major overhaul of Nevada business law, including the start of a business friendly environment (Delaware of the west), limited liability companies (LLCs) available in Nevada

1997 to 1998 – Implementation of floater division and changes in processes and staffing to reduce turnaround time from 8 to 10-plus weeks to 10 days or less

Q1 2001 – Height of filing increases preceding economic downturn and the events of September 11, 2001

October 1, 2001 – Fee increases in response to economic downturn, representing the first fee increases in 10 years; filing fees for articles rose from \$125 to \$175; initial lists increased from \$85 to \$165; and other fee increases were implemented

October 1, 2003 – Another significant fee change occurred: annual lists increased from \$85 to \$125 with a maximum of \$11,100 based on capitalization; new filings fee decreased from \$175 to \$75 and the maximum raised from \$25,000 to \$35,000 based on capitalization

A January 29, 2005 – Implementation of e-SoS processing system for commercial recordings

B April 2005 – Implementation of online services for initial, amended and annual lists

C Q2 2005 – Peak of new filing increases

D July 1, 2009 – Nevada state business license fee increased from \$100 to \$200 annually

E October 1, 2009 – Nevada state business license authority transferred from the Department of Taxation to the Secretary of State of Nevada

F December 2010 – Implementation of online articles services allowing customers to file new domestic corporations and limited liability companies (LLCs) online



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Ross Miller became the youngest Secretary of State in America and the youngest in Nevada history when he was elected in 2006. Unanimously selected by his peers to serve as President of the National Association of Secretaries of State for 2012, Ross' record of achievement since taking office reflects a true commitment to accountability and results. His accomplishments reflect a combination of enthusiasm for the job, and a vision for serving his constituents.



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Analyst's Assessment

“ We continue to be encouraged by the number of new entities filing to register within the state of Nevada. The annual increases reported during the past three quarters suggest a trend is emerging and that additional investment is taking place in the Silver State. Additionally, overall employment in Nevada has started to stabilize with pockets of growth in key sectors emerging. While challenges remain on the horizon, particularly for construction and related sectors, other areas such as leisure and hospitality, professional and business services and education and health services are all expanding.

Also on a positive note, total list filings have remained ahead of the prior year indicating new entity filings are outpacing those falling off. The fundamentals of the Nevada economy remain intact as investors and business owners appear to be taking advantage of resetting real estate values and business opportunities. While job seekers are facing acute challenges in selected sectors and sharp housing price declines continue to burden homeowners, for those entering from outside of Nevada, the pillars that the state has been known for still exist, including low cost of living and a favorable business operating environment. We will continue to monitor new and existing filing data with Secretary of State Miller during the second half of 2011 to evaluate the strength and sustainability of the recovery. ”

- **Jeremy Aguero**
Principal Analyst, Applied Analysis

Domestic (Nevada) Entities vs. Foreign (Non-Nevada) Entities – A domestic entity is an entity created pursuant to Nevada Law that may or may not have nexus in Nevada. Its formation documents are on file and a matter of public record in the office of the Secretary of State. A foreign entity is an entity created pursuant to the laws of a jurisdiction other than Nevada, which is qualified to do business in Nevada. Generally, most foreign entities have some sort of nexus in Nevada because they qualify so they may conduct business in Nevada.

Leading vs. Lagging Indicators – Generally, a lagging indicator is a measurable economic factor that changes after the economy has already begun to follow a particular trend or pattern. A leading indicator is a measurable economic factor that changes before the economy starts to follow a particular trend or pattern. Leading indicators can be used to predict changes in the economy. In this instance, new business entity filings provide directional insight into investments and business formation in the State of Nevada.

Information contained herein has been obtained from various sources deemed reliable. We have no reason to doubt its accuracy, but we do not guarantee it. **Applied Analysis** is a Nevada-based advisory services firm founded in 1997. We are an information and analysis resource for both the public and private sectors. Our team has extensive experience in economics, real estate, hospitality, gaming, information technology and finance. We apply this knowledge in an effort to develop creative solutions to our client's challenges. To put it simply, we are a solutions resource. Our firm is guided by our core values – integrity, diligence and dedication. Our future is branded by the success of our clients and the quality of our professionals. Our commitment lies therein.

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